

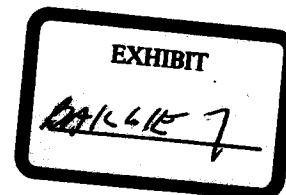
MEMORANDUM

TO: Ohio Valley Regional Management Team

FROM: Doug Baillie

DATE: November 20, 1998

RE: November 12 - Regional Managers' Meeting



The following is a synopsis of the meeting.

ENERGY - The Energy Department has regrouped and pooled the entire expertise of the region into the Cincinnati office. They are now well staffed and situated to provide profitable growth for the region. The profitability of the book is believed to be fixed.

The branches felt that the Energy Department could do a better job of being a part of the branch. They need to communicate a clear competitive picture and gameplan so that the branches can assist Energy in their marketing efforts. By providing more feedback and attending more of the marketing meetings it was felt that Energy could improve their performance. In 1999, they will be looking to leverage their capacity, bring in loss control and claims and seek more appointments.

DFI - The key to continued growth in the Ohio Valley Region will be the development of new products. Dana and Andrew Emery are working on a significant new product at the present time. More to come during the first quarter of 1999. DFI needs to do a better job of defining career paths. They will be looking to use the local branch managers and marketing team in account acquisition and management.

SURETY - Surety is fully staffed with the objectives for 1999 to increase visibility among the agents and manage their prospects. Surety agreed to share their prospects with the branch and marketing managers to gain their assistance on account acquisition. We will also attempt to provide a synergy between Surety, Marine and Umbrella by cross-selling those three products to our present clients.

PMM - The loss ratio results are currently poor. The region is now fully staffed. Diana and Michael are working with the new staff in Indianapolis and Cleveland in providing them the necessary educational training. Price increases will be the theme for 1999. PMM will grow Marine and Machinery Breakdown business. They will focus on the bottom 25% to get increases. Another push will be for marine liability business which is a new product. The region's growth is currently above national levels. In 1999, the charge will be to step up travel, utilize prospecting and account rounding and improve service. Until the necessary training is conducted, Diana will be traveling monthly to Indianapolis and Michael on a quarterly basis to educate the staff. There will

be a book review in January for Cleveland. The branches asked for more clarification on our mono-line property strategy. They felt that better use of loss control was important. We will be looking at the workflow for Machinery Breakdown business to make it easier to quote on packages. We will also be providing training to CID for Machinery Breakdown in the first quarter.

EXECUTIVE PROTECTION - This department is playing from a position of power. They already have great autonomy and great authority throughout the region. John will be reviewing the authority levels within the next 30 days. It's focus and emphasis for 1999 will be on new products, training, corporate plans, sharing best practices, competitive information, selling services and products. CID emphasis will be on selling coverage, lag sales calls and selling EPL loss control services. They will be looking towards moving Forefront authority in CID. Regs and warranties training will be conducted shortly. There's a need for more rate and selectivity on crime business. The goal is to continue to be the market of choice in each territory.

COMMERCIAL INSURANCE DIVISION - Key focus will be to execute the pricing strategy without disrupting other departments. Profitability will be the number one goal. We will be improving our training and resources in multi-national. Both Mary Beth Pittinger and Dieter Korte will be conducting training. Dieter will be looking to push more processing to the hub. Conference calls to the hub will be made to direct pricing strategies for GID business. Growth opportunities will be in International and Umbrella. Emphasis will be made to work more closely with CSD to improve efficiency and service.

CASUALTY - David is planning on making quarterly visits to Cleveland and Indianapolis primarily for educational purposes. He will more directly be involved in Columbus, Louisville and Cincinnati. The primary goals for 1999 will be to increase authority levels, aggressive staff development, selling of claims and loss control services, pushing the new products and selling our multi-national capabilities. The region will be looking to get 10% rate increases on the umbrella book of business.

HUMAN RESOURCES - The feeling was that HR needs to be more strategic in training, hiring, development, retention and employee morale. Pulse checks in all branches will be beneficial to inform management of any potential issues. In 1999, there will be a goal to raise campus visibility.

A needs analysis needs to be conducted throughout the region to match the training to the business needs and establish structured training/learning and development program. Each branch will require a consistent HR presence.

A suggestion was made to use our database to help staff our agents. A better job needs to be done to plan for turnover contingencies. We need to push the typical career path for underwriters. This will be done by providing a resource base for the technical career path and will be the responsibility of the managers to guide their employees into the program.

CSD - Due to consolidation and turnover there are now 18 new CSD employees in the region. CSD has implemented 40 new computer systems. Training is obviously a key priority and John has incorporated a full-time CSR training individual for the entire region.

The commercial underwriting workstation will help develop consistency throughout the zone and flexibility to work from branch to branch. AVA training and implementation is planned for the first quarter. John looked to

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regionalizing certain roles such as expense cashier, POLUPs, etc. He will continue to make daily contact with the branches, provide training resources and implement new systems. The wide area network is coming which will be of tremendous help in communication and flexibility of utilizing resources.

The main focus for 1999 will be building infrastructure and capacity. We need to dig out of our present backlog. John will make more frequent visits to the branches to establish consistency and quality. He is also planning on conducting conflict management training to help CSRs deal with the producers.

LOSS CONTROL - The loss control department has an extremely stable staff with good tenure. The goal is to become a better strategic partner with underwriting in 1999. This will be critical not only in account selection, but also in rate increases. Focus goals for 1999 will include improving our multi-location service capacity, adding value to the customers by providing tangible benefits and providing training to agents.

CLAIMS - Expenses are down approximately 15%. Inventory has increased approximately 5% in 1998. We are presently approximately 4% over-reserved on a goal of 10%. In 1999, we will be making the transition to the service center. Greg is asking the help of all underwriters and management to talk up the service center with our customers and agents. Key items to focus on in 1999 will be people management, staffing, use of Z's and Chubb Services, communication, better authority, faster service, matching technical skills to needs and conducting quality travel to the branches. Greg is currently researching the need for a machinery breakdown adjuster.

MARKETING - The key goal for the Cincinnati branches will be to implement the necessary account and agency management systems and insure superior execution. Jeff will be sharing best practices with all branches and make himself available to the underwriting branches on an as needed basis. The key projects for 1999 will be the establishment of an agency management program, implementing an account management system, aggressively seeking new appointments and managing incentives.

SUMMARY - It was agreed that we should do a better job of communicating our travel and visits to the managers of the Louisville, Columbus, Indianapolis and Cleveland branches. In this way we can improve our synergy and more effectively take advantage of the local relationships. All departments will let the branch managers know their travel to their respective territories and make a more concerted effort to visit the branches.

I feel that all parties have a better understanding of the needs and expectations of each of us in this regional structure. If I have left out any germane items please contact me via e-mail and I will distribute to the group.

T. Cavanaugh
J. Juarez

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